



Retirement Benefits

You've been preparing children for their futures while we've been building your retirement security. Whether you are retiring soon or years from now, we can help with your retirement planning.

Retirement annuity

Eligibility

To be eligible for a TRS retirement annuity, the Illinois Pension Code requires you to terminate active service as a teacher. It is not permissible to prearrange post-retirement employment. To meet federal guidelines, TRS requires a genuine resignation and that the employment relationship be severed prior to the commencement of benefits.

To establish termination of service, two conditions must be met. First, you must formally resign from your teaching position. Second, you must wait 30 calendar days from the date of resignation before performing any post-retirement teaching for the same employer. The 30 calendar day wait period does not apply if the post-retirement teaching is for another employer.

Designations such as "temporary," "interim," and "independent contractor" will not suffice to establish termination of active service if the continued employment is with the same employer.

An annuitant who has established termination of service may not return to post-retirement teaching in the same school year he or she last contributed to TRS.

Once pension eligibility is established, retiring members must comply with post-retirement employment limitations. (See "Post-retirement Matters," page 29.)

In addition to terminating service, you must meet one of the following age and service credit requirements:

Years of Service	Age
5	62
10	60
20	55 <i>(discounted annuity or Early Retirement Option)</i>
35	55*

* If you are eligible to receive a retirement annuity of at least 74.6 percent of the final average salary and will reach age 55 between July 1 and December 31, we consider you to have attained age 55 on the preceding June 1.

* TRS members who are employees of the State of Illinois may retire under the Rule of 85.

If you fall short of qualifying for a nondiscounted annuity, the Early Retirement Option (see page 25) is available to avoid a discounted annuity.

Under federal law, inactive members are required to take a TRS distribution at age 70½.

Annuity calculation

To determine your annuity, we use either an actuarial annuity calculation or an average salary/service credit calculation, whichever results in a higher benefit. The actuarial calculation is based on interest and mortality rate factors, which are subject to change. The average salary/service credit calculation (whose terms are defined in this section) yields a larger retirement annuity for most members with current or recent service; the maximum retirement benefit is 75 percent of the average salary. There is no limit on the actuarial annuity benefit.



Average salary is the average of the four highest consecutive annual salary rates within the last 10 years of creditable service. If you have less than a full year during your final year of teaching, we use a special procedure to calculate average salary.

Each annual salary rate after June 30, 1979, cannot exceed the previous year's full-time rate by more than 20 percent. Any earnings above this limit are excluded. The 20 percent cap on salary increases applies only to service you performed for the same employer. Consolidation of school districts does not constitute a new employer; therefore, the 20 percent cap still applies.

Years of creditable service determine the percentage of the average salary to which you are entitled. If you do not upgrade service to newer 2.2 formula, you are entitled to the following formula for service credit earned prior to July 1, 1998:

- 1.67 percent for each of the first 10 years
- 1.9 percent for each of the second 10 years
- 2.1 percent for each of the third 10 years
- 2.3 percent for each year over 30 years

For **post-June 1998** service, you receive 2.2 percent for each year of service.

A special provision applies to members who had at least 24 years of service credit as of July 1, 1998. If you do not upgrade to the 2.2 formula and you had at least 24 years of service prior to July 1998, you will receive 2.2 percent for each year of service earned after June 1998 up to 30 years and then 2.3 percent for each year of service over 30 years.

Maximum retirement benefit

If you are qualified to receive a benefit of at least 74.6 percent of final average salary, we will round this percentage up to the 75 percent maximum retirement benefit. If all of your service credit is with TRS, you will receive the maximum benefit with 34 years of service credit.

Discounted retirement annuity

If you retire between the ages of 55 and 60 with at least 20 but fewer than 35 years of service, your retirement annuity is reduced by 6 percent for each year (half percent per month) that you are under age 60. You can avoid this reduction if both you and your employer make a one-time contribution to TRS. (See "Early Retirement Option," page 25.) A discounted annuity is based on your average salary, years of service, and age.

2.2 upgrades

You may upgrade all of your pre-July 1998 service to the 2.2 formula by making an additional contribution. The contribution is equal to 1 percent times your highest salary rate in the four consecutive school years immediately prior to, but not including, the school year in which you apply for the upgrade times the number of years of creditable service you earned prior to July 1, 1998, or up to 20, whichever is less. For information about receiving a refund or reduction of your 2.2 upgrade cost, see "Refunds or reductions of the 2.2 upgrade cost" on page 25.

If any 2.2 payments are made with after-tax dollars, they are subject to the after-tax payment limitations found in "Payment Options" on page 21.

Reversionary annuity

When you retire, you will receive a standard annuity from TRS unless you elect to receive a reversionary annuity. *The standard annuity* provides the largest amount payable throughout your lifetime. A *reversionary annuity* reduces the retirement annuity amount to provide an additional monthly annuity to a surviving, designated dependent beneficiary after your death.

Electing to receive a reversionary annuity should be a careful decision because of its costs, possible reduction in death benefits, and irrevocability. If you elect a reversionary annuity, remaining accumulated contributions are not payable at the time of your death. (See "Refund of accumulated contributions," page 39.)

Regardless of the type of annuity you select, your dependent will receive death benefits from TRS after your death if you have named him or her to receive such benefits on your Member Information and Beneficiary Designation (MIBD) form. (See "Death Benefits," page 38.)

If you elect the reversionary annuity, you must designate the dependent beneficiary to whom you wish the reversionary annuity be paid. This beneficiary does not have to be the same as the death benefit designee.

Once you have selected a dependent beneficiary to receive the reversionary annuity, the selection cannot be changed and there is no continuing requirement that a dependent relationship exist between you and the beneficiary. In other words, whether or not the beneficiary is dependent on you at the time of your death has no bearing on his or her eligibility to receive the reversionary annuity.

Election of a reversionary annuity is irrevocable. However, if your designated beneficiary predeceases you and you send us a certified copy of the death certificate, we will reinstate your retirement annuity to the full amount on the first day of the month after we receive your beneficiary's death certificate. You will not receive any retroactive adjustments.

Single-sum retirement benefit

If you have fewer than five years of creditable service, you are eligible to receive a single-sum retirement benefit at age 65. The benefit is the actuarial equivalent of a retirement annuity consisting of 1.67 percent of your final average salary for each year of creditable service. To be eligible for this benefit, you must terminate TRS-covered employment and complete an application for a single-sum retirement annuity.

Once you receive the single-sum benefit, you may teach in a TRS-covered position without restriction and you will not be required to make contributions.

Early Retirement Option

The Early Retirement Option (ERO) allows you to avoid a discounted annuity. This provision is set to expire on June 30, 2005. Legislation has been introduced to extend this date. At the time of this printing, the outcome is uncertain.

To take advantage of the ERO, you must be between the ages of 55 and 60 and have at least 20 but fewer than 35 years of service.

Under the ERO, the following conditions apply:

- ★ Your last working day must be on or before June 29, 2005.
- ★ The effective date of your retirement must occur on or before June 30, 2005. "Retirement" means that you are receiving a retirement annuity.
- ★ You must apply and retire within six months of your last day of contributing service.
- ★ If you are under age 55 when you cease teaching, you may use the Early Retirement Option if you turn age 55 and apply and retire within six months of your last day of service.
- ★ If you are a substitute teacher, you must teach 85 or more days in a school term with one employer to elect the ERO and to obligate that employer to make the ERO contribution.

- ★ You and your last employer must each make a nonrefundable ERO contribution to TRS. This contribution is a percentage of the highest salary rate used to calculate the average salary. Your employer's percentage is calculated by multiplying 20 percent for each year or partial year that you are under age 60. Your percentage is calculated by multiplying 7 percent times the *lesser* of:

- the number of years or partial years of service that are under 35 years, or
- the number of years or partial years your age is under 60.

If you have 34 but fewer than 35 years of service at retirement, the contribution from both you and your employer is waived.

Your employer may limit the ERO to a specified percentage of its teachers. The percentage may not be less than 30 percent of those who are eligible to elect ERO in the district and must be based on seniority in the service of that employer.

If any ERO payments are made with after-tax dollars, they are subject to the after-tax payment limitations found in "Payment Options" on page 21.

Refunds or reduction of the 2.2 upgrade cost

You may receive a refund with interest or a reduction of your 2.2 upgrade cost:

- ★ For every three years you teach and earn regular service credit after July 1, 1998, the equivalent of one year of your 2.2 upgrade cost will be reduced or refunded with interest.

If you retire with more than 34 years of service credit, you may receive:

- ★ a 25 percent reduction in upgrade costs for each year of creditable service beyond 34 years, up to a maximum of 100 percent. Partial years are prorated.

Or

- ★ refunds of optional service purchases or refund repayments that cause total service to exceed 34 years. The refund is based on the average cost of the optional service.
- ★ If you have both options available, we will refund the greater of these mutually exclusive refund options automatically. Changes to a refund option may not be made after an annuity has begun.

Refund of survivor benefit contributions

Eligibility

When you apply for a retirement annuity or while you are receiving a retirement annuity, you may take a refund of your survivor benefit contributions if you have creditable service after July 24, 1959, and you do not have a dependent beneficiary. (See “Types of beneficiaries” under “Death Benefits,” page 38.)

The refundable amount is 1 percent of total gross creditable earnings for each year of teaching service after July 24, 1959. You may redirect the refund of survivor benefit contributions to pay your 2.2 upgrade cost.

Effect of receiving a refund

When you receive a refund of your survivor benefit contributions, you waive all rights to your beneficiaries’ receiving survivor benefits. However, your remaining accumulated retirement contributions, if any, still remain payable to your beneficiaries upon your death. The survivor benefit refund may be repaid with interest if you return to teaching and earn one year of creditable service.

Application procedure

When you are applying for retirement or at anytime thereafter, you may request a Refund of Survivor Benefit Contributions Application form from us. However, the form will not be sent until the processing of your retirement is complete. Return your completed form to our Springfield office. Within six weeks after we receive your completed application, we will process your refund and will forward it to the Office of the Comptroller for payment.